Appendix A

1. The SE LEP Assurance Framework

1.1 The Assurance Framework forms the overarching framework of the SE LEP, with five main organisational elements: the Accountable Body (Essex CC); the SE LEP Strategic Board; The SE LEP Accountability Board; the Local Area Delivery Board / Partnership and the Independent Technical Evaluator. The Assurance Framework sets out how the Local Growth Fund (LGF) schemes funded through the LEP will be selected, delivered and reported. The Assurance Framework will be reviewed and agreed annually by the SELEP Accountability Board.

1.1.1 **The Accountable Body, Essex County Council ('ECC as AB'),** retains overall legal accountability for the SE LEP investment programme, supported by Essex County Council's Chief Finance Officer (also the S.151 officer). All use of resources will be managed in accordance with ECC established governance processes including arrangements for financial approvals. ECC as AB will ensure that all relevant legal requirements are followed and the SE LEP Assurance Framework is adhered to. In addition, it will ensure that when SE LEP awards project funding there are written agreements to manage the passing of the funds from the Accountable body to the project deliverers, clearly setting out the split of responsibilities and also making adequate provisions for the protection of public funds (e.g. arrangements to suspend or claw back funding in the event of non-delivery or mismanagement).

1.1.2 **The SE LEP Strategic Board** sets the strategic direction of the SE LEP, as articulated through the SE LEP Strategic Economic Plan. It will provide clear strategic leadership and champion SE LEP priorities. The Strategic Board is the main SE LEP interface with Central Government and will ensure that, where the SE LEP Accountability Board has determined a method of allocation, funds delegated or assigned to the LEP for investment are being implemented to best effect on behalf of Central Government.

1.1.3 **The SE LEP Accountability Board** is the main performance management and accountability structure for decision making within the SE LEP. The Accountability Board approves all major funding decisions (working within the overarching vision and recommendations set by the Strategic Board) as well as monitoring and managing the SE LEP's capital programme. It is informed by local area management information.

The Accountability Board's responsibilities include:

- Appraisals and approvals (e.g. of investment) in accordance with SE LEP Board recommendations;
- Monitoring project assessment, implementation and delivery;
- Ensuring accountability from each of the local federated areas relating to expenditure and programme delivery (through their responsible S151 officer);
- Approving variations to schemes;
- Quarterly performance reporting on an exceptions basis to the Strategic Board; and
- Reporting on progress to Central Government

1.1.4 **Local Area Delivery Boards/Partnerships** manage funding devolved by the Accountability Board, taking all local decisions on this investment within defined thresholds. The ESCC Local Area Delivery Partnership is 'Team East Sussex'. Further information on Team East Sussex is set out at 2.2 below.

1.1.5 **The Independent Technical Evaluator ('ITE')** will work with project deliverers to assess and support full project and business case development. The ITE will advise on project readiness and delivery and overall programme management. The ITE will make recommendations to the SE LEP Accountability Board on the release of funding.

The ITE will also:

- Report to the SE LEP Accountability Board and Local Area Delivery Boards / Partnerships on projects that perform well against the assessment process and where projects may need to be reconsidered due to poor or delayed performance.
- Support local project deliverers in the preparation of submissions for further rounds of LGF bids.

2. Local accountability arrangements under the Assurance Framework

2.1 The County Council ('ESCC')

2.1.1 ECC as AB will pass ESCC's share of the LGF funding (£70.16m) directly to ESCC to administer. The legal responsibility for delivery (and any associated risks) will also be transferred to ESCC under one or more Service Level Agreements (SLA) (the key provisions of the SLA are set out in Appendix B). Under the SLA the ESCC Section 151 officer will carry out the normal stewardship role in terms of monitoring and accounting of the funding, and will be required to provide regular reports to ECC as AB and the SE LEP secretariat to enable quarterly reporting on to the SE LEP Accountability Board.

2.1.2 The SE LEP has developed a draft scheme evaluation document with overarching principles (or 'rules') and a suggested evaluation matrix ('the Scheme Evaluation Matrix'). Once finalised, the Scheme Evaluation Matrix will be used as the pan-SE LEP method of 'prioritising' schemes. The Scheme Evaluation Matrix will also facilitate the development of project evaluation (in the traditional sense) and monitoring processes.

2.1.3 Under the Assurance Framework, a 'Statement of Risk' must be provided by the project deliverers for each scheme, and must be kept up to date. The Statement of Risk will be included in project reports.

2.1.4 The proposed terms of the SLA require that ESCC provide quarterly reports to the SE LEP Secretariat, subject to the note in Appendix B (under Point 11). As such, it is considered appropriate that wherever ESCC procures in respect of its own LGF schemes, (for example with a 'tier1' provider), the contract with the provider includes a similar requirement to abide by the SE LEP quarterly reporting process, which sets out the report scope and evaluation requirements.

2.2 Team East Sussex ('TES')

2.2.1 TES is the Local Area Delivery Partnership for East Sussex. TES will have an advisory role making recommendations to ESCC's Section 151 officer in respect of the local Growth Deal Programme.

2.2.2 As set out above, the local accountability arrangements transfers the associated financial risk to ESCC. As such, where there are potential financial and / or reputational risks to ESCC associated with a recommended action or project, whilst respecting the advisory role of TES, ESCC will retain ultimate decision making power.

2.2.3 TES will be responsible for local delivery and managing the local programme within specified local tolerance levels (variance) for both spend and delivery, as determined by the Accountability Board (see 2.2.6 below for details of the tolerance levels). Reports will be prepared for TES by ESCC officers primarily the Economic Development Team working with Section 151 Officer. TES will review quarterly reports to be approved by ESCC's Section 151 Officer and then submitted to the Accountability Board for formal approval as part of SE LEP's reporting to Central Government. TES will work to the SE LEP Assurance Framework.

2.2.4 It is suggested that the ESCC S151 Officer attends TES meetings as a formal adviser to the Partnership.

2.2.5 TES will identify local project priorities based on the Scheme Evaluation Matrix. These will then be submitted to the SE LEP Board in respect of the Growth Deal and Strategic Economic Plan (SEP) or in response to other funding opportunities as appropriate). In accordance with the Scheme Evaluation, liaison will be undertaken with the ITE. The draft Scheme Evaluation Matrix currently includes the following metrics:

- The strategic case
- Outputs
- Value for money
- Deliverability

2.2.6 TES will make recommendations to reallocate any project underspends, either for use on an alternative LGF project or to offset overspend from another LGF project to ESCC. However, this is restricted to a tolerance level of up to 10% variance on any individual LGF project.

2.2.7 Where there is an underspend in excess of 10%, ESCC can submit a report to the Accountability Board to request approval for the variance to be reallocated to a new or another LGF project (or to Central Government, if appropriate) provided that TES has approved such a course of action. In order to obtain TES approval, the impact on outputs and outcomes for all projects affected by the funding change must first be reported to TES. If the request to reallocate unspent funding is not approved by the Accountability Board, ESCC must return any unspent funds to ECC as AB.

2.2.8 Project Reports and progress updates (at SE LEP and local level) will be made available to TES to enable it to identify those interventions that have had the greatest economic benefit. TES will also review to identify interventions that have been less successful or have traditionally realised fewer rewards and are therefore regarded as likely to fail and / or represent poor value for money.

2.2.9 TES will also need to give further consideration to eligible schemes following a sifting process based on the following:

- Department for Transport's - Early Assessment and Sifting Tool (EAST);
- any SE LEP Prioritisation Framework;
- Health Assessment;
- Highways Agency's Project Appraisal Report; and
- other appropriate appraisal tools.

Checklists for this work will be provided to partners by the ITE to ensure a consistent approach.

2.2.10 The Assurance Framework provides that no scheme or programme shall be implemented without the support of the LEP and the local partnership (i.e. TES for ESCC). Once TES support has been obtained, any project deliverers will be required to further develop the scheme in consultation and agreement with TES at every appropriate stage of the project.

2.2.11 TES will engage local businesses and utilise public and private sector knowledge and expertise to ensure 'prioritisation' of future pipeline projects and delivery provide greatest benefit to the SE LEP area.

2.2.12 The SE LEP has adopted a Conflicts of Interest Policy as part of the SE LEP Governance and Terms of Reference document. In light of the devolvement of funding to ESCC and the more formalised role for TES under the SE LEP Assurance Framework, it is considered appropriate for TES to adopt the relevant parts of the SE LEP Conflicts of Interest Policy in order to ensure consistency. A copy of the Conflict of Interest Policy, once adopted by TES, will be available on the ESCC TES web page.

2.2.13 The SE LEP maintains and publishes a register of declared interests on the SE LEP website. As above, it is considered appropriate that a register of declared interests also be made available in respect of TES members on the ESCC TES web page.

2.2.14 TES' existing Terms of Reference will need to be revised to take account of the additional roles and responsibilities required under the SE LEP Assurance Framework and the SLA as well as to incorporate the adoption of the Conflict of Interest Policy and the register of declared interests as set out at paras 2.2.12 and 2.2.13 above.

3. The National Monitoring and Evaluation Framework

3.1 All Local Enterprise Partnerships are required by Central Government to develop a Monitoring & Evaluation Framework in line with the initial government guidance ('the Guidance'). The Guidance focuses on evaluation as it is intended that the LEP evaluation will drive what is then monitored by the LEP. However, it should be noted that central government nevertheless requires monitoring of all schemes through the quarterly reports.

3.2 The Guidance provides an opportunity for SE LEP and project delivery partners to demonstrate the efficiency and effectiveness of certain schemes, and so identify the progress of the wider Growth Deal and SEP. This 'evaluation' is separate from the Scheme Evaluation Matrix outlined at para 2.1.2 above and refers to 'project evaluation' in the traditional sense. Evaluation can also inform local decision making by providing an understanding of what works to drive local economic growth in the context of local challenges and opportunities.

3.3 In terms of the SE LEP evaluation plans there are initially two steps:

3.3.1 The first is to understand the key objectives of the SEP and the key economic questions that monitoring and evaluation can and should answer. To facilitate this, Independent Consultants, Steer Davies Gleave, will be drafting the SE LEP Evaluation Plan.

3.3.2 The second step is to develop further evaluation plans for a sub-set of schemes. The sub-set of schemes will be selected in response to the key objectives and challenges / opportunities of the SEP and Growth Deal, its intended impacts. A shortlist for evaluation at LEP sub set level is now being decided, and currently includes two East Sussex projects: Queensway Gateway and the North Bexhill Access Road.

3.4 The evaluation process will normally involve a 'mixed methods approach' which looks at process, theory (key relationships from Growth Deal to project), monitoring / outcomes and impact. All of these methods are likely to be used at SE LEP/Growth Deal level; however, project level evaluation should be proportionate and selective taking into consideration the scale, value and scope of LGF intervention.

3.4 In respect of monitoring and reporting, Steer Davies Gleave are to develop a template and a consistent set of metrics, metric definitions and collection methods. They will therefore need to revisit the SE LEP metrics identified in September / October 2014 and look at the project data that is already collected. Where possible they will look to use existing data and definitions as already used in project reporting but will need to ensure a consistent approach is applied. It is likely that the metrics included in the Scheme Evaluation Matrix will inform these monitoring metrics. These reporting metrics will be used in the quarterly report.

3.5 Any legal agreement entered into between ESCC and external lead project deliverers should make provision for the scope of monitoring that will be required (as this guidance becomes available). At a minimum, the provisions suggested in para 2.1.4 above should be included. Similarly, any legal agreement will also need to include guidance on the level of evaluation required. This could include evaluation scoping examples as provided under the national monitoring and evaluation framework. Going forward, both monitoring & evaluation methods and scope will need to be more fully detailed in business cases.

3.6 At this time, we are not able to robustly identify what the LGF is being paid against, what will need monitoring and reporting on (and format), what constitutes acceptable (non-spend related) deviation and so when 'clawback' may come into play. The full chain 'is therefore not yet in place. This in turn will and does affect the robustness of relevant aspects of the current SLA where it is noted that changes will be required in the light of the Framework.

3.7 These activities when fully developed will form the overall SE LEP Monitoring and Evaluation Framework.

4. Responsibility for ensuring adherence to the SE LEP Monitoring and Evaluation and Assurance Frameworks:

4.1 A local reporting template has been devised to enable reporting on live project progress into TES. However, although quarterly reporting to SE LEP is part of the SLA between ESCC and ECC as AB, there is currently no reporting template provided by the SE LEP. As noted at 3.4 above, Steer Davies Gleave are developing a template for monitoring and reporting at project level.

4.3 The quarterly reports due at the end of each quarter (exact date to be confirmed) will require approval by ESCC's Section 151 officer prior to submission to the Accountability Board. It will also need to be reviewed by TES. However, prompt receipt of information will be critical to ensuring that the required sign of by the Section 151 officer and review by TES can be secured in advance of the deadline for submission to the Accountability Board. There is a potential danger that in order to accommodate review by TES, the information would have to be submitted so early that would not properly reflect each quarter's progress. In light of this, the requirements for provision of monitoring information to ESCC should be clearly specified within any legal agreement with external project deliverers.

4.4 The SE LEP project report template will be shared with individual project leads as soon as it is available. In the meantime, the existing report form used with TES will be checked to ensure it reflects current monitoring requirements. It is also proposed that the relevant ESCC officers review the new SE LEP template / requirements with the project lead to check their understanding of what is being asked, and the timetables for receipt once the new template is available.

4.5 As a result of the additional work coming out of the SE LEP Assurance Framework, and the devolution of delivery to ESCC, there will be a new Growth Manager post within the County Council working within the Economic Development, Skills, Culture and Infrastructure service. The Growth Manager will work with the ITE to ensure projects meet at least the minimum information requirements, and will need to undertake local 'due diligence' on each project. The Growth Manager will ensure that, as a minimum, the project satisfies the following requirements:

- It fits within SE LEP Growth Deal objectives (and with the ESCC Growth Strategy)
- It is robustly evidenced in respect of need
- It follows guidance in the Treasury Green Book (as appropriate) and other relevant guidance
- It is SMART in terms of objectives
- It can demonstrate value for money and / or a low cost-benefit ratio
- The outline and full business cases comply with monitoring and evaluation requirements and that milestones, spend profile, outputs and outcomes and other economic impacts are clear and realistic.

4.7 The projects will be assessed against the pan SE LEP Scheme Evaluation Matrix (still in draft) with input from the ITE as required. The results will be reported to and agreed by TES.

4.8 Once a project is approved under the SE LEP Assurance Framework process, ECC as AB will provide an SLA to ESCC for the specific project. The SLA will need to be signed off by ESCC's Section 151 officer; however, it is recommended that the SLA is also reviewed internally by legal services and finance. It would also be prudent if the SLA were passed by the project deliverers to ensure that they are in a position to abide by its provisions.

4.19The Growth Manager will ensure that all monitoring and reporting requirements under each SLA are met by the project promoter(s), and so by ESCC including via TES. The Growth Manager will be alert to any variation/deviation from what has been agreed with the project deliverer and in their legal agreement. And the Growth Manager, will look to ensure that where possible this is addressed by the project deliverer and relevant mitigation is put in place.

4.10 Any issues identified above the variation/deviation allowance (where it applies) (+/- 10%) that may constitute a risk (i.e. in respect of the project's objectives, spend profile, milestones, outputs and outcomes) will need to be reported to ESCC's Section 151 officer immediately.

4.11 Quarterly reports will be required by both SE LEP's Accountable body and TES. Project leads should be encouraged to report more frequently as and when issues arise that could / will impact on the delivery of the project objectives as detailed under the SLA and in reflection of the agreed project business case.

4.12 Where more than one project goes live under the Growth Deal within a given period, ECC as AB will issue *a single* SLA to ESCC to cover both or all projects. Each project lead will need to agree which elements of the SLA provisions and monitoring metrics relate to their project; this will mainly be based on key areas within the individual business case. Each individual project monitoring template will need to then reflect these elements.

<u>5. Accountability and non ESCC projects</u>

5.1 There is a need for clarity in respect of what the LGF is paying for in terms of an individual project's outputs and outcomes (plus spend profile, milestones etc.). This applies equally to ESCC projects and external project deliverers. However, the issue of accountability and clawback is particularly pertinent with external project deliverers.

5.2 Under the local accountability arrangements, ESCC undertakes all the legal and financial risks associated with the funding. As such, it is critical that arrangements with external project deliverers passes this accountability (as appropriate) to external project lead partners; thereby reducing risk that will be associated with projects over which ESCC has minimal control.

5.3 To manage this risk, it is suggested that a legal agreement is put in place with the relevant external project delivery lead to include the following provisions:

- The appropriate provisions of the SLA (including any grant conditions);
- Monitoring requirements;
- Reporting timetable and report scope;

- Evaluation requirements and costs/ resourcing;
- Variance or tolerance levels;
- Milestones; spend profile; match funding; outputs and outcomes;
- Any clawback provisions;
- The external lead body indemnifying ESCC against all costs and losses arising out of, or in connection with, breach of the relevant SLA by the external lead body;
- Provision that the external project delivery lead will be expected to consider how added economic, social or environmental benefits can be maximised and secured through their commissioning, procurement and delivery.
- Provision to ensure a level playing field for small businesses and voluntary, charity and social enterprise organisations in bidding for local delivery contracts as appropriate;
- Requirement for a Value for Money statement and Risk assessment to be supplied.

5.4 The contract will be drawn up by the Growth Manager with support from ESCC legal services. The contract scope and content will need to be formally approved by the Section 151 officer in line with the project specific SLA and based upon the approved project business case.